

Message Text

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C O N F I D E N T I A L STATE 057066

STADIS//////////

E.O. 11652: GDS

TAGS: MASS, TU

SUBJECT: TURKISH F-4 FUNDING PROBLEM

1. DEPARTMENT IS ACTIVELY EXAMINING SERIES OF OPTIONS IN AN
EFFORT TO PERMIT CONTINUATION OF TURKISH F-4 PROGRAM BE-
YOND MARCH 31. THIS EXAMINATION IS PROCEEDING IN THE
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FRAMEWORK OF THE BROADER POLICY REVIEW WHICH ADMINISTRATION
IS UNDERTAKING WITH RESPECT TO EASTERN MEDITERRANEAN AND
THE POLICY ANNOUNCEMENTS WITH RESPECT TO FY'78 AND BEYOND
WHICH ARE CONTEMPLATED BY SECRETARY OF STATE AND OTHER
ADMINISTRATION SPOKESMEN IN NEXT FEW DAYS. MATTER IS
ACCORDINGLY ONE OF GREAT DELICACY. WE APPRECIATE AT SAME
TIME TURKISH CONCERN AND ARE ATTEMPTING TO DEAL WITH

MATTER ON URGENT BASIS. EMBASSY WILL BE KEPT INFORMED REGARDING WASHINGTON CONSIDERATION OF AVAILABLE OPTIONS. EVERY EFFORT IS BEING MADE TO COMPLETE EXECUTIVE BRANCH REVIEW AND HAVE DECISION REACHED ON TURKISH F-4 MATTER AS SOON AS POSSIBLE.

2. AT PRESENT MOMENT, WE BELIEVE THERE ARE SIX POSSIBLE OPTIONS WHICH DESERVE CONSIDERATION. THE SIMPLEST AND MOST ATTRACTIVE FROM US STANDPOINT IS TO ASK THE TURKS TO CONVERT F-4 PROGRAM TO COMMERCIAL SALES CONTRACT. WE RECOGNIZE AT SAME TIME SERIOUS POLITICAL AND PROCEDURAL

PROBLEMS SUCH A CONVERSION PROCESS WOULD CAUSE FOR THE TURKISH GOVERNMENT AND WILL ONLY ADOPT THIS OPTION IF OUR INVESTIGATION OF OTHER OPTIONS FAILS TO CONVINCE US THAT THEY ARE PRACTICAL OR POLITICALLY OBTAINABLE.

3. THE SIMPLEST LEGISLATIVE OPTION WOULD BE TO SEEK CONGRESSIONAL REMOVAL OF OR INCREASE IN CEILING ON FMS CASH SALES BY INTRODUCING AMENDMENT TO SECTION 620 (X) OF THE FOREIGN ASSISTANCE ACT. A THIRD POSSIBILITY WOULD BE TO RAISE THE CEILING ON FMS CASH SALES FOR FY'77 ABOVE THE \$125 MILLION LIMIT WHICH CURRENTLY EXISTS. SUCH A PROPOSAL, IN OUR JUDGMENT, WILL CREATE MAJOR PROBLEMS WITH THE CONGRESS.

4. A VARIATION OF THE LEGISLATIVE OPTION WOULD BE TO SEEK LEGISLATIVE RELIEF COVERING THE F-4 PROBLEM ONLY. LANGUAGE TO ACCOMPLISH THIS END HAS ALREADY BEEN DRAFTED
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IN THE DEPARTMENT AND MIGHT, AS EXAMPLE, READ AS FOLLOWS:

BEGIN QTE. NOTWITHSTANDING SECTION 620 (X) OF THE FOREIGN ASSISTANCE ACT OF 1961, THE PRESIDENT MAY SELL TO TURKEY UNDER THE ARMS EXPORT CONTROL ACT SUCH LONG LEAD TIME ITEMS AS MAY BE NECESSARY FOR CONTINUED PRODUCTION DURING THE FISCAL YEAR 1977 OF THE FORTY F-4 AIRCRAFT FOR WHICH INITIAL LONG LEAD TIME SALES HAVE BEEN AUTHORIZED PURSUANT TO SECTION 620 (X) OF THE FOREIGN ASSISTANCE ACT OF 1961. END QTE.

ALTHOUGH THIS LANGUAGE CONTAINS NO SPECIFIC FIGURE, OUR CURRENT ESTIMATE IS THAT ITS CHANCE FOR CONGRESSIONAL APPROVAL ARE ONLY SLIGHTLY BETTER THAN OPTIONS TWO AND THREE ABOVE.

5. THE FIFTH POSSIBILITY IS THE INTERIM COMMERCIAL ARRANGEMENT FINANCED BY TURKISH IRREVOCABLE LETTER OF CREDIT ALONG LINES THAT MCDONNELL-DOUGLAS HAS PROPOSED

AND WITH WHICH THE EMBASSY IS ALREADY FAMILIAR. THIS APPROACH IS UNDER STUDY BUT, WHATEVER ITS LEGAL MERITS, ITS UTILIZATION NOW COULD AROUSE SUSPICIONS IN CONGRESS THAT THE SPIRIT IF NOT THE LETTER OF THE LAW WAS BEING CIRCUMVENTED. THIS EXPLAINS CURRENT RELUCTANCE TO PURSUE THIS APPROACH.

6. AS A MEANS OF FORESTALLING POSSIBLE CONGRESSIONAL CRITICISM OF THE IRREVOCABLE COMMERCIAL LETTER OF CREDIT OPTION, WE ARE EXAMINING THE POSSIBILITY OF CONSULTING WITH THE MOST INTERESTED CONGRESSIONAL COMMITTEES ON THE PROPOSED INTERIM COMMERCIAL CONTRACT

BETWEEN TURKEY AND MCDONNELL-DOUGLAS, TOGETHER WITH AN INDICATION OF OUR WILLINGNESS TO PROCEED IN THIS DIRECTION UNLESS THERE IS CONGRESSIONAL OPPOSITION.

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